



Minnesota Municipal Power Agency
2017 Annual Report

THE POWER OF YOUR HOMETOWN

St. Paul / Olivia / Shakopee / Winthrop / Anoka / Arlington / Brownton / Buffalo / Chaska / East Grand Forks / Elk River / Le Sueur / North

THE POWER OF YOUR HOMETOWN.

COMMUNITY POWER

MMPA understands the important role that our member municipal utilities play in each of our member communities.

A city-owned utility provides local control, superior customer service, and a quick response time when outages occur.

We're proud to support our members by having a diversified and economic resource portfolio that helps our members provide competitively-priced power to residents and businesses within our member cities.



John Crooks
Chairman, MMPA Board of Directors
Utilities Director,
Shakopee Public Utilities

Derick O. Dahlen
Executive Manager, MMPA
President and CEO, Avant Energy, Inc.

MMPA celebrates community power and your hometown

MMPA continued to demonstrate its commitment to the Power of Your Hometown in 2017 with two resource additions, the introduction of its Clean Energy Choice programs, and continued expansion of our energy education initiatives.

Our Shakopee Energy Park project entered service in February. This innovative 46 MW natural gas-fired plant is connected to the distribution system of Shakopee Public Utilities, one of our members. The facility was selected by POWER Magazine as a 2017 Top Plant Award recipient.

We also expanded our commitment to renewable energy through a long-term contract with the Buffalo Solar project. We purchase all of the output from the 7 MW plant that began operations in late 2017. This adds solar energy to our portfolio of renewable resources, which also includes wind and bioenergy.

Both of these resource additions demonstrate our diversified generation portfolio. This mix of renewable and conventional resources helped us continue to deliver on our mission of providing reliable, competitively-priced power to members in 2017, while also creating value for MMPA and our members.

This year, we introduced the Clean Energy Choice program, which provides our members' residential customers with low-cost options to have 50%, 75%, or 100% of their energy from renewable sources. We also rolled out the Clean Energy Choice for Business program, which allows our members' commercial and industrial customers to purchase 100% renewable power.

MMPA continues to invest in our members. As part of our Hometown Solar program, we installed solar facilities at educational buildings in Anoka, East Grand Forks, and North St. Paul. Schools from all twelve member communities participated in our Energy Education program, which includes an FEP tour event and in-school assemblies.

We have a lot to be excited about as we look into 2018. Our newest member, Elk River, is scheduled to begin purchasing power from MMPA in October, increasing our size by approximately 20%. We expect to continue marketing our Clean Energy Choice products to both residential and business customers in our member communities. Finally, our energy education program, which has reached over 10,000 fourth grade students over the last decade, is expanding to include a high school offering.

As we look to the future, we remain confident that MMPA has assembled the power supply portfolio and management team to continue delivering on its mission to our members and to be positioned for success for years to come.

Sincerely,

John Crooks
Chairman, MMPA Board of Directors
Utilities Director, Shakopee Public Utilities

Derick O. Dahlen
Executive Manager, MMPA
President and CEO, Avant Energy, Inc.

TWELVE MINNESOTA MUNICIPAL UTILITIES

East Grand Forks

Brownton

Winthrop

Olivia

Buffalo
Elk River
Anoka

Shakopee

North St. Paul

Chaska

Arlington

Le Sueur

Together, providing power
to over 157,000 Minnesotans

Our Mission

MMPA recognizes that having members who provide their customers with an affordable and dependable electric supply supports economic development and quality of life within each of our communities. That's why MMPA's mission is to provide reliable, competitively-priced energy to its members and to create value for both the Agency and its members. The decisions we make each day are focused on supporting this mission while creating and enhancing value for MMPA and its members.

Our Members

MMPA's membership is made up of the municipal electric utilities serving twelve cities across Minnesota. These cities include suburbs of the Twin Cities metro area as well as communities in Greater Minnesota. Our members came together to realize the benefits of joint action related to power supply acquisition. What connects each of our members is a commitment to providing reliable, local power. Our member municipal utilities truly are the power of your hometown.

OUR MEMBERS



1. ANOKA



2. ARLINGTON



3. BROWNTON



4. BUFFALO



MMPA's Newest Member

MMPA's newest member, Elk River Municipal Utilities (ERMU), has served its community with power for over 100 years. From its origin, ERMU has strived to provide "reliable power at a reasonable price" to its customers. Serving over 11,400 customers within its service territory, which includes Elk River as well as parts of the communities of Dayton, Big Lake Township, and Otsego, ERMU is an essential part of its growing community.

ERMU values the importance of public power and local control. Several years ago, the

utility had the opportunity to explore different alternatives for power supply. After reviewing a number of alternatives, Elk River joined MMPA in 2013. Major factors in the City's decision included MMPA's long history of competitive rates, the fact that each MMPA member has a seat on the Board, MMPA's balanced and efficient power supply portfolio, and MMPA's focus on keeping its members' interests aligned. ERMU is set to begin purchasing power from the Agency in 2018.

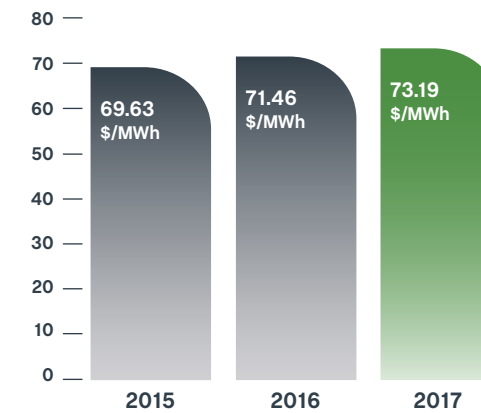
“We're excited to join a great group of like-minded municipals, who share a similar vision of public power and pride in the power of their hometown. I'm confident in Elk River's power supply future and looking forward to taking power from MMPA in 2018.”

Troy Adams
ERMU General Manager

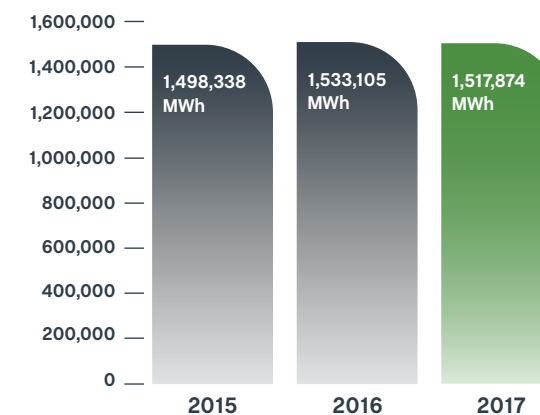
Member Rates

MMPA has a long history of rates that are both competitive with other local wholesale suppliers and stable – not fluctuating greatly from year to year. This helps our members set rates to their customers that are also stable and competitive, which helps support economic development and attract new residents and businesses to the community. We keep our rates affordable by having a balanced power supply portfolio while also engaging in hedging and other energy risk management activities.

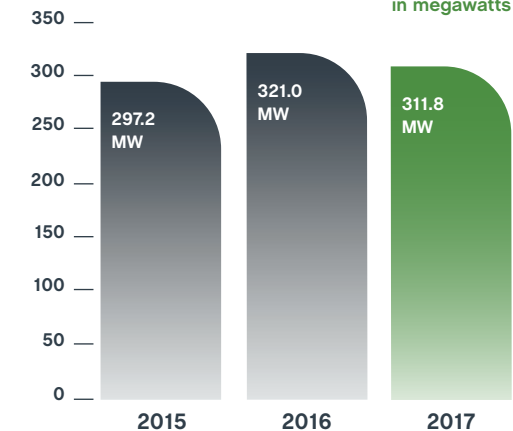
Average MMPA Rate to Members
in dollars per megawatt hour



Sales to Members
in megawatt hours



Coincident Peak Load
in megawatts



OUR MEMBERS



5. CHASKA



6. EAST GRAND FORKS



7. ELK RIVER



8. LE SUEUR



9. NORTH ST. PAUL



10. OLIVIA



11. SHAKOPEE



12. WINTHROP

OUR BOARD OF DIRECTORS

MEET THE PEOPLE

MMPA Board of Directors

Anoka

Ed Evans
Utility Advisory
Board Member

Arlington

Pat Melvin
City Administrator

Lisa Tesch*
Deputy Clerk

Brownton

Curt Carrigan
Council Member

Buffalo

Merton Auger
City Administrator

Joseph Steffel*
Utilities Director

Chaska

Matt Podhradsky
City Administrator

Greg Boe*
Council Member

East Grand Forks

Keith Mykleseth
Utilities General Manager

Jeff Olson*
Distribution Superintendent

Elk River

Troy Adams
Utilities General Manager

Allan Nadeau*
Utilities Commissioner

Le Sueur

Newell Krogmann
Council Member

Jasper Kruggel*
City Administrator

North St. Paul

Brian Frandle
Director of
Electric Utilities

Steve Milton*
Electric Superintendent

Olivia

Bernard Johnson
Council Member

Dan Coughlin*
City Administrator

Shakopee

John Crooks
Utilities Manager

Deb Amundson*
Utilities Commissioner

Winthrop

Peter Machaiek
Alderman

Jenny Hazelton*
City Administrator

* Alternate



MMPA Officers

John Crooks
Chairman

Brian Frandle
Secretary

Matt Podhradsky
Vice Chairman

Troy Adams
Treasurer

MMPA's Board of Directors are the people behind the power of your hometown. They are the elected officials, utility managers, and city administrators that represent each member community at Board meetings. The Board is responsible for setting policies and approving investments in projects. MMPA is proud to be structured so that each member gets a seat on the Board. This structure ensures not only that each community has a voice in making decisions affecting their energy future, but also allows for a diversity of perspectives and viewpoints.

BEHIND YOUR POWER OUR MANAGEMENT

Avant Management



Derick O. Dahlen
President and CEO



Oncu H. Er
Senior Vice President



David W. Niles
Vice President



Kelsey E. Dillon
Vice President, Consulting
and Development



Brian C. Meek
Director, Plant Operations



Noah J. Hansen
Director, Dispatch Operations

MMPA's long-term management partner is Avant Energy, Inc., an energy and utility management consulting firm based out of Minneapolis, Minnesota. MMPA and Avant have a decades-long successful partnership that has built the Agency into the competitive and financially strong organization that it is today.

Avant provides a wide range of services for MMPA, including strategic planning, power supply planning, daily energy market operations, power plant development and operations, and finance and accounting. Our management team is comprised of utility industry professionals with a range of backgrounds and is continually focused on creating value for MMPA.



OUR APPROACH TO POWER SUPPLY

MMPA maintains competitive rates by having a balanced power supply portfolio — a mix of conventional and renewable generation as well as a blend of owned and contracted generation. Our resources span a wide variety of fuels and generation technologies. Many of our resources are strategically located in or near our member communities — showcasing our support of hometown power and energy education.



SHAKOPEE ENERGY PARK
SHAKOPEE, MN



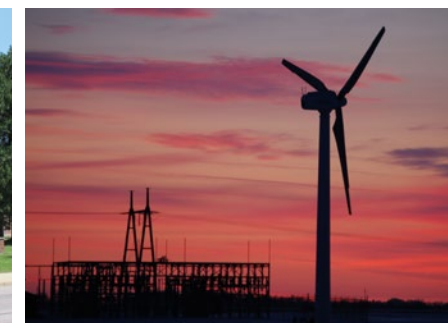
MINNESOTA RIVER STATION
CHASKA, MN



HOMETOWN BIOENERGY
LE SUEUR, MN



HOMETOWN SOLAR
WINTHROP, MN



HOMETOWN WINDPOWER
EAST GRAND FORKS, MN



HOMETOWN SOLAR
OLIVIA, MN

BUFFALO SOLAR
BUFFALO TOWNSHIP, MN

SPOTLIGHT

MMPA has a diversified portfolio that positions the Agency well for the future

MMPA has assembled a diversified portfolio of renewable and conventional resources to meet our long-term needs. Our generation portfolio goals include:

- Providing competitive rates to members
- Keeping rates stable from month to month and year to year
- Limiting our exposure to high market prices

We achieve these goals through a variety of approaches, including:

Maintaining a Diversified Generation Mix

Our power supply portfolio includes a diversified mix of generation technologies and fuel sources. Our conventional resources include combined cycle, simple cycle, and reciprocating engine technology. We use natural gas, a primary conventional generation

fuel, with liquified natural gas and fuel oil as backup fuels at various plants. MMPA does not have any direct exposure to coal generation.

On the renewable side, MMPA receives power from wind, solar, and bioenergy facilities. Our existing owned and contracted renewable generation is more than enough to satisfy Minnesota's 25% by 2025 renewable energy standard.

Siting Generation Strategically

When siting power generation resources, we strategically evaluate potential locations to identify sites that have transmission access, proximity to fuel sources, and available land. We also prioritize locations that have a history of favorable prices within the MISO wholesale market. When appropriate, we place our generation in or near our member communities.



“A key aspect of MMPA’s generation portfolio is its flexibility. MMPA seeks to maintain this flexibility through its diverse generation mix of owned and contracted resources.”

Oncu Er,
Avant Energy, Senior Vice President

Balancing Owned and Contracted Generation

MMPA has generation that it owns as well as generation that it purchases under long-term contracts with suppliers. This balance allows us to deliver power to members at a low cost. We have partnered with entities that can take advantage of tax credits for our renewable resources and used MMPA's low cost of capital to finance our conventional resources.

We believe that this approach positions MMPA well to continue delivering on our mission to provide reliable, competitively-priced energy to our members, while also creating value for MMPA and our members.

HOW POWER GETS

1.

MMPA'S POWER SUPPLY



Faribault Energy Park
300 MW, Natural Gas



Black Oak Getty Wind Farm
78 MW, Wind



Minnesota River Station
49 MW, Natural Gas



Shakopee Energy Park
46 MW, Natural Gas



Oak Glen Wind Farm
44 MW, Wind



Hometown BioEnergy
8 MW, BioEnergy



Buffalo Solar
7 MW, Solar



Hometown WindPower
1.9 MW, Wind



Power Purchases

TO YOUR HOME

MMPA AND YOUR LOCAL UTILITY

2.

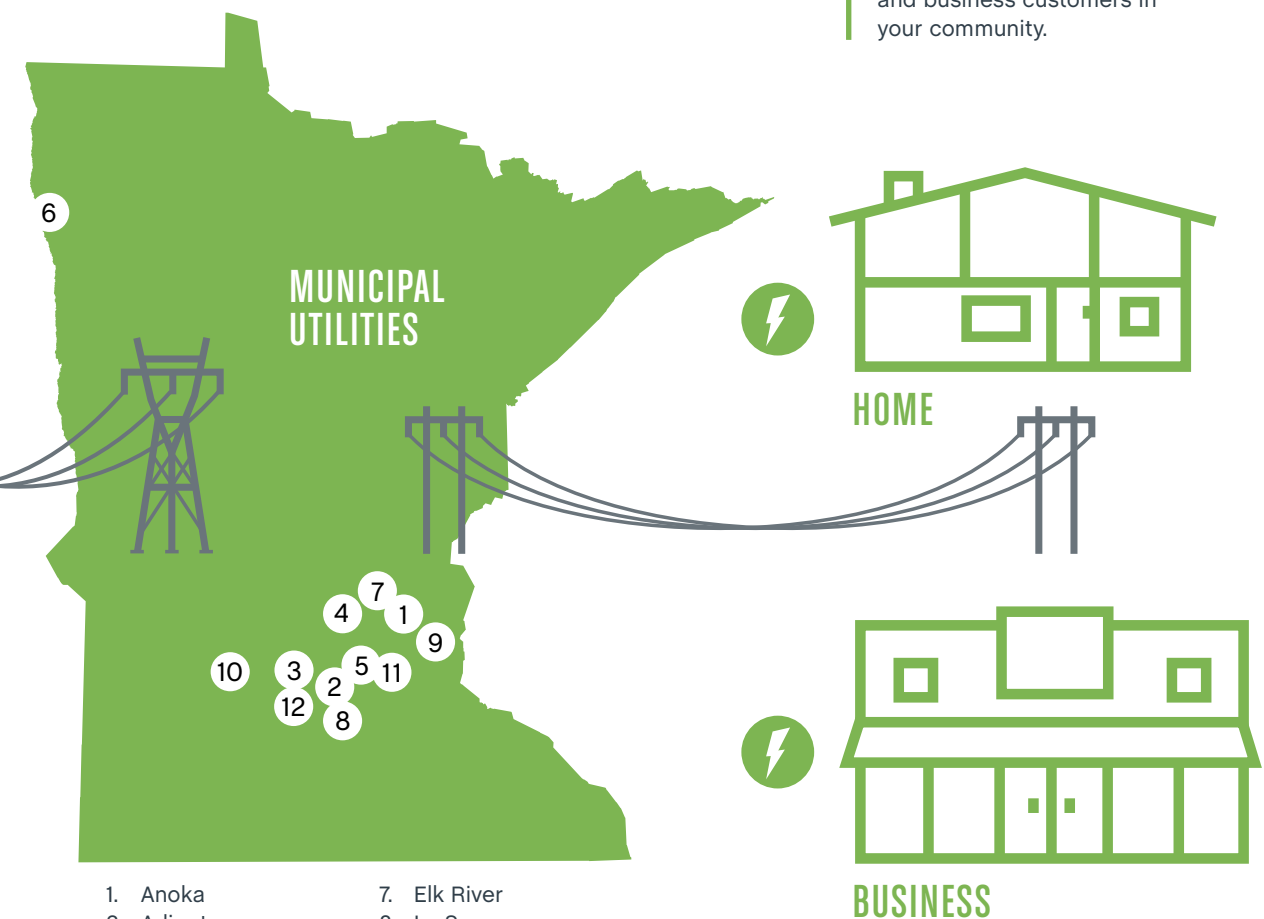
OUR MEMBER MUNICIPAL UTILITIES

MMPA provides wholesale electricity to its 12 member municipal utilities.*

3.

POWERING YOUR HOMETOWN

Your local municipal utility delivers and sells that electricity to the residential and business customers in your community.



- | | |
|---------------------|-------------------|
| 1. Anoka | 7. Elk River |
| 2. Arlington | 8. Le Sueur |
| 3. Brownston | 9. North St. Paul |
| 4. Buffalo | 10. Olivia |
| 5. Chaska | 11. Shakopee |
| 6. East Grand Forks | 12. Winthrop |

* MMPA will begin providing wholesale power to Elk River Municipal Utilities on October 1, 2018.



Community Grand Opening

On July 27, MMPA welcomed members of the Shakopee community and general public to view our newest power generation asset. With over 200 attendees of all ages, the Shakopee Energy Park Grand Opening was a success. Guests had the opportunity to get an up-close tour of the

facility, to participate in the Grand Opening Ceremony, and to enjoy an evening of live racing at nearby Canterbury Park. Shakopee Mayor Bill Mars, John Crooks, and Derick Dahlen engaged the crowd during the dedication ceremony and officially welcomed the facility to the Shakopee community.

Shakopee Energy Park— 2017 Top Plant Award Winner

Shakopee Energy Park

In 2017, MMPA introduced a new local asset to our power supply portfolio—Shakopee Energy Park (SEP). The 46-megawatt facility, located in Shakopee, Minnesota, uses fast-start, fuel-efficient reciprocating engines to generate reliable power from clean-burning natural gas.

Unique to other power generation facilities, SEP uses liquefied natural gas (LNG) as its back-up fuel source. This strategy allows the Agency to maintain power supply flexibility.

SEP connects directly to the local distribution system. This interconnection approach, paired with the quick response genset technology, increases local reliability and supports local business development.

As part of MMPA's commitment to sustainable energy practices, the SEP facility utilizes efficient heat recovery technology. Waste heat captured from the facility's five electric generators is used to heat incoming natural gas, heat basic building systems, and vaporize the LNG to natural gas. In addition, recovered heat can be supplied to local businesses, further supporting the community's economic and sustainability goals.

Beyond providing power supply, SEP also supports the Agency's Energy Education program for students and area residents.

Shakopee Energy Park received the 2017 Top Plant Award in the gas category. For decades, *POWER Magazine* has honored the top performers in the electric generation industry with annual awards recognizing innovative design, advanced technology, engineering efficiency and environmental qualities. *POWER Magazine* highlighted the facility as "an upstanding citizen."



CLEAN, EFFICIENT ENERGY

Faribault Energy Park

Faribault Energy Park (FEP) is the flagship of MMPA's power generation resource portfolio. The 300 MW combined-cycle facility, located in Faribault, Minnesota, provides clean, efficient power for the Agency.

Built in two phases, FEP began operation as a simple-cycle facility in 2005 to satisfy the need for peak summer energy use and went into full combined-cycle operation in 2007. The plant runs primarily on natural gas and uses fuel oil as a backup. The facility provides approximately 70% of the Agency's capacity requirements.

FEP is a community asset that in addition to power supply provides education, recreation, and aesthetic beauty. Students and area residents are welcome to visit the facility's 35 acres of park-like wetlands and walking trails. In addition, guests are encouraged to schedule tours of the facility that include viewing the control room and the steam turbine from an observation area. Visitors can also view

educational displays, a wind turbine, a solar array, and can even drop a fishing line into one of the ponds.

Black Oak Getty Wind Farm

MMPA expanded its renewable portfolio in 2016 to include an additional 78 MW of wind power. The Agency signed a long-term contract with Sempra U.S. Gas & Power for the output of the Black Oak Getty Wind Farm. The wind farm, comprised of 39 wind turbines, is located in Stearns County and supports our continued commitment to renewable energy.

Minnesota River Station

The Minnesota River Station is a 49 MW power plant that provides local, reliable, peaking power for the Agency. The simple-cycle facility entered service in 2001. The plant is located in, and owned by, the member community of Chaska. The Agency has a long-term lease with the City of Chaska for the facility through 2031.

Faribault Energy Park



Black Oak Getty Wind Farm



FOR OUR MEMBERS

Oak Glen Wind Farm

In 2011, MMPA added 44 MW of wind power to its portfolio with the addition of Oak Glen Wind Farm. The wind farm, located near Blooming Prairie, Minnesota, is comprised of 24 turbines that produce renewable energy for the Agency. The wind farm produces approximately 150,000 MWh of renewable energy annually.

Hometown BioEnergy

Hometown BioEnergy (HTBE) is an 8 MW biomass facility located in the MMPA member community of Le Sueur. The facility provides the Agency with local, dispatchable, on-peak, renewable energy. HTBE uses anaerobic digestion technology to produce biogas from agricultural and food processing sources from local suppliers. The biogas serves as fuel for the reciprocating engines, which produce electricity. Unique compared to other forms of

renewable generation, the plant has significant gas storage, allowing the Agency to generate electricity during on-peak hours when energy is more valuable. The facility also creates valuable by-products, including a liquid by-product used as fertilizer by local farmers.

Hometown WindPower

In 2010, MMPA placed a 160 kW wind turbine in each member community, as well as at our Faribault Energy Park facility. This innovative Hometown WindPower program made MMPA the first municipal power agency in the country to have a wind turbine in each member community. These turbines are a resource to help community members learn about the benefits and operating characteristics of wind power and support our energy education program.

Oak Glen Wind Farm



Hometown BioEnergy





BUFFALO SOLAR
BUFFALO TOWNSHIP, MN

MORE RENEWABLES FOR MMPA

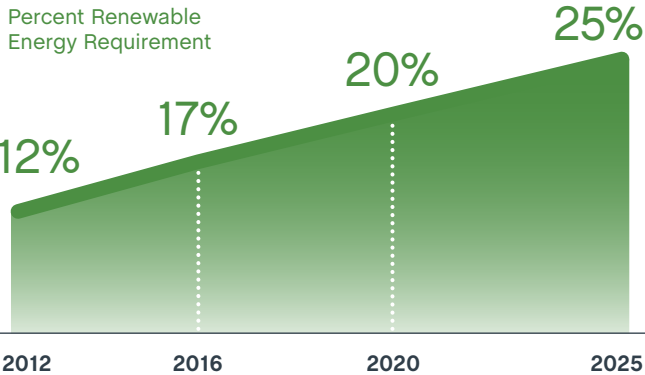
Buffalo Solar

In 2017, MMPA furthered its commitment to renewables by adding the power output from the Buffalo Solar facility to its power supply portfolio. The 7 MW utility-scale solar facility, located near the Agency’s member community of Buffalo, entered commercial operation in December 2017 and provides power to local homes and businesses. MMPA has a long-term contract with a developer to purchase all of the facility’s output.

Buffalo Solar, comprised of more than 25,000 solar panels, connects directly to the City of Buffalo’s electric distribution system. Power from the facility helps MMPA meet the Minnesota Renewable Energy Standard.

Minnesota Renewable Energy Standard

In 2007, Minnesota Governor Pawlenty signed the Next Generation Energy Act. The landmark legislation created a mandatory renewable energy standard (RES) for Minnesota utilities that requires 25 percent of power from renewable sources by 2025. MMPA has a power supply portfolio that is positioned to exceed the RES into the future.



Benefits and Challenges of Renewables

Renewable resources such as wind and solar are comprising an increasing percentage of energy generated in Minnesota and the Midwest. While this is reducing the environmental footprint of the energy industry, it also creates some challenges because of the intermittent nature of these renewable resources.

Most of the new generating capacity coming online in the next few years is projected to

be renewable generation, which has output variabilities associated with the intermittent nature of these technologies. Storage is expected to become an increasing part of the solution as technology costs decrease. MMPA also has quick-starting plants, such as Shakopee Energy Park, as part of its generation mix. These resources are available to produce power quickly in the event that renewable resources are not available.

Expanding Our Commitment to Renewable Power

Especially with the addition of Elk River as MMPA's newest member, our power requirements continue to grow. We are currently adding renewable energy and capacity resources to our power supply portfolio to meet this increased demand.

On the energy side, we have signed a contract with a developer for all of the output of a 170 MW wind facility to be built in southeastern Minnesota. The project is expected to be operational in 2020 and represents a significant expansion of our commitment to renewable energy.

We have also signed a long-term contract with Manitoba Hydro to purchase capacity out of

their system from 2020 to 2030. Manitoba Hydro's generation portfolio is predominantly comprised of carbon-free, renewable hydropower. This contract is expected to provide most of our incremental capacity needs from environmentally-sustainable sources.

In addition to expanding our commitment to renewable and carbon-free power, we expect to add both of these resources to our diverse power supply portfolio while continuing to maintain competitively-priced rates to our members.

SPECIAL RECOGNITION

MMUA SYSTEM INNOVATION AWARD

In 2017, the Minnesota Municipal Utilities Association (MMUA) awarded MMPA with its System Innovation Award. This award recognized our leadership and innovation in developing our customer engagement, customer education, and generation portfolio. Specifically, the award celebrated MMPA's Energy Education and Hometown Solar and Wind programs, as well as our diverse portfolio of innovative and local power generation.

Public Power & Mutual Aid MMPA Member Utilities Provide Florida Support

Mutual aid is an important part of the municipal utility ethos. Communities help each other restore power in times of need. When parts of Florida were ravaged by Hurricane Irma, three MMPA member communities – Chaska, Elk River, and Shakopee – sent crews and equipment to assist in restoration efforts.



CLEAN ENERGY CHOICE

Several downtown Arlington businesses participate in MPPA's Clean Energy Choice for Business program.

Providing Our Members' Customers with More Choice About Their Electricity Supply

The utility industry is undergoing significant technological change in the areas of generation, Internet connectivity & communications, and metering. These changes are providing customers with more information and options regarding their energy supply. As a result, utilities cannot simply continue "business as usual." We recognize that our members need to provide new and innovative product offerings to give their customers a choice regarding how their electricity is sourced.

MPPA introduced two new products in 2017 to give our members' customers more choice about their electric supply. Our Clean Energy Choice program provides residential customers in member communities with three alternatives to the base MPPA power supply, which is currently 17% renewable:

- 50% renewable energy for a \$1 per month adder
- 75% renewable energy for a \$2 per month adder
- 100% renewable energy for a \$3 per month adder

These products provide an affordable and simple way for residential customers in our member communities to support renewable energy. Customer response in the first year of the program has been strong. If you live in one of our member communities and are interested in learning more about the program, please visit www.cleanenergychoice.com. You can even enroll in the program online!

For our members' commercial and industrial customers, MPPA introduced the Clean Energy Choice for Business program in late 2017. Participants in this program can purchase 100% renewable energy for only a \$0.001 per kilowatt-hour adder over their regular energy rate. Customers that sign up for this low-cost program receive both a window sticker and a certificate to showcase their participation. Businesses that enroll in Clean Energy Choice for Business can promote their products and services as being powered by renewable energy.



CLEAN ENERGY
CHOICE

HOME



CLEAN ENERGY
CHOICE FOR
BUSINESS

BUSINESS

Empowering Young Minds Through Energy Education

Learning about energy at an early age gives children the knowledge to make informed decisions about their energy use. In addition, it provides future generations with a better understanding of the impact of energy use both at home and in the world around them.

MMPA understands the importance of educating the next generation of utility customers. To support our member communities, we developed the Energy Education Program to offer a local learning opportunity that educates and familiarizes students about energy. Through MMPA's Energy Education Workbook, interactive tours, and in-school assemblies, the Agency offers students, area residents, and local utility representatives with an opportunity to learn together about the power of their hometown.

A key component of the Energy Education Program is the Faribault Energy Park (FEP) Tour Event. While visiting the 300 MW natural gas facility, students are able to view the control room, steam turbine, on-site wind turbine, and solar array. Specifically designed to integrate into Minnesota's 4th grade science standards, the tours use interactive

educational stations to teach students how electricity is generated from multiple sources, including natural gas, wind and solar, as well as how it is transmitted and used. Among the many interactive activities, student volunteers serve as "student-fueled power plants" and use a bike-generator to better understand electricity generation and the importance of energy conservation.

For schools not easily accessible to FEP, the Agency offers an in-school education assembly, developed and presented by MMPA in partnership with the Science Museum of Minnesota. These educational events help bring interactive energy learning opportunities to more students throughout our member communities.

Based on the program's success, the Agency is expanding Energy Education to include a high school offering for 10th to 12th grade students with an interest in the energy industry. This program extension encourages students to explore in-depth energy topics such as project development, power generation, and energy-focused careers. The program also includes a tour of an MMPA power generation facility.



Fourth-graders from MMPA's member communities engage in an interactive learning experience through MMPA's Energy Education programming at Faribault Energy Park and in-school assemblies.

MMPA's Hometown Solar Grant Program

In addition to MMPA's Energy Education events, in 2015 our program expanded to include the Hometown Solar Grant Program. Hometown Solar brings energy education and local power to our member communities.

The purpose of the grant program is to provide our members with a unique, local learning opportunity to educate and familiarize students and members' customers with solar power. The solar installations serve as a tool to help teach local youth and area residents first-hand how sunlight is converted into electricity, as well as the unique benefits of solar power.

To support "real-world" energy education learning opportunities in the classroom, we developed lesson plan concepts and tools

designed to integrate the data from the solar arrays into the school's curriculum. Data from the arrays provides learning opportunities for all grade levels and can be applied to multiple state education standards.

“Students and teachers will be able to access a technology platform that provides real-world data from the solar panels. Teachers at North and Tartan high schools attended workshops and developed units this summer that apply to several courses in which alternative energy content will be embedded.”

Penny Baker
North St. Paul-Maplewood-Oakdale, ISD 622
Curriculum and Pathway Coordinator

HOMETOWN SOLAR GRANT RECIPIENTS

Since the Program's launch in 2015, the Agency has awarded seven Hometown Solar Grants, in addition to its pilot installation at MMPA's Faribault Energy Park. The following educational facilities have been awarded Hometown Solar Grant Awards:

- Brownton City Offices (Brownton, 2016)
- BOLD High School (Olivia, 2016)
- GFW High School (Winthrop, 2016)
- Sibley East Middle/High School (Arlington, 2016)
- Anoka High School (Anoka, 2017)
- South Point Elementary School (East Grand Forks, 2017)
- North High/District Education Center (North St. Paul, 2017)



ANOKA



EAST GRAND FORKS



NORTH ST. PAUL

Helping Our Members Reach Their Energy Efficiency Goals

MMPA's Conservation Improvement Program (CIP) is another example of how we support our members by providing supplemental services that make them more competitive. Our program helps members compete by improving energy efficiency, putting money back into their communities, and encouraging local economic development.

MMPA manages CIP activities for seven of our member communities. MMPA's Conservation Improvement Program offers a variety of rebate programs to both residential and business customers. In addition, MMPA understands that each utility has a unique customer base and we work directly with

them and their customers to identify and develop conservation programs that best meet their energy efficiency goals. This individualized attention adds value to each member's conservation program and helps them achieve their annual CIP goals.

Keeping Benefits in Our Member Communities

In 2017, our members saved energy, put money back into their communities, and encouraged local economic development by:

- **Educating residential customers about energy efficient products**
 - Offering rebates for ENERGY STAR™ appliances and LED lighting that customers might not otherwise consider purchasing
- **Improving energy efficiency for local businesses**
 - Awarding rebates to school districts that install energy-efficient LED lighting
 - Encouraging commercial and industrial customers to upgrade to LED lighting by offering competitively-priced lighting rebates
- **Encouraging local partnerships**
 - Partnering with local hardware businesses to offer free LED light bulbs to residential customers and promote residential LED lighting rebates
 - Partnering with low-income multi-family rental properties by purchasing energy efficient LED lighting and appliances to be installed in residential units and common areas



MMPA's Financial Strength Supports the Agency's Ability to Provide Stable and Competitive Rates

Debt Service Coverage

Our Board of Directors has a policy of approving an annual budget with a debt service coverage ratio of at least 1.20 times debt service. This level of coverage is higher than the 1.15 times debt service required by our bond covenants. Our policy gives us financial flexibility if unexpected events arise. We exceeded our debt service coverage target again in 2017 with an actual coverage ratio of 1.50 times debt service.

Rate Stabilization Fund

MMPA has a rate stabilization fund to support our goal of providing stable and competitive rates to our members and our members' customers. We set rates based on our expectations of long-term energy prices, not short-term swings in commodity prices that can result in volatile rates. At the end of 2017,

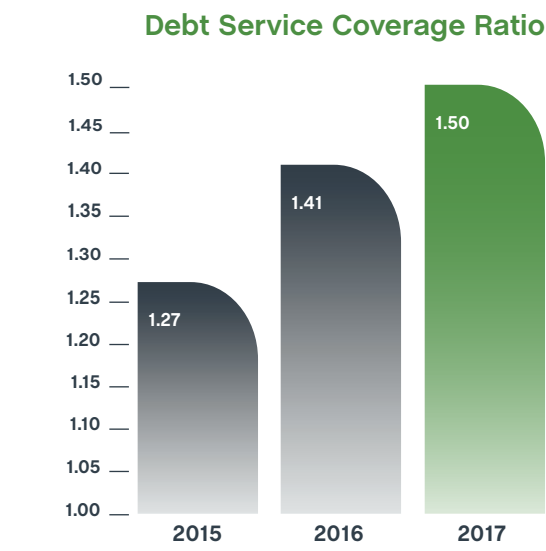
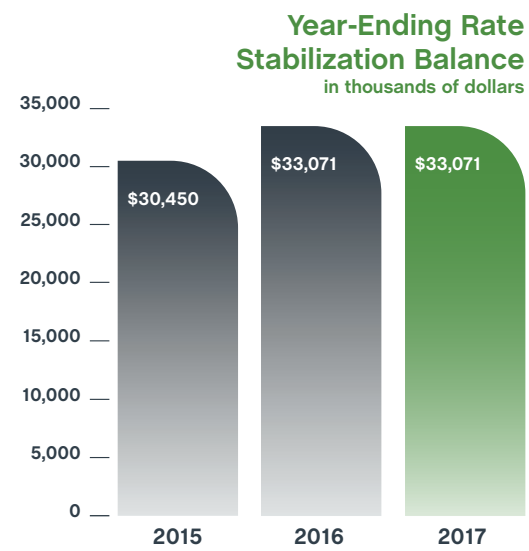
the balance in our rate stabilization fund was \$33.1 million.

Energy Adjustment Clause

To help match the timing of revenues and expenses, MMPA uses a forward-looking energy adjustment clause. We review projected costs at the start of each month and set rates to members accordingly. This helps prevent a lag between costs and revenue.

Bond Retirement

MMPA retired more than \$32 million of debt in 2017, including the prepayment of \$22 million of its Series 2007 bonds. This debt had an average coupon rate of approximately 5% and maturities extending to 2037. By extinguishing this debt now, MMPA will avoid paying nearly \$13 million in interest expense over the next twenty years, resulting in lower rates to members.



Minnesota Municipal Power Agency Statements of Net Position

	December 31 2017	December 31 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,568,212	43,761,074
Restricted cash and cash equivalents	5,773,252	6,595,034
Short-term investments	—	1,000,000
Accrued interest receivable	156,783	170,527
Power sales and other receivables	9,795,275	8,918,683
Fuel inventory	1,373,362	1,507,433
Plant inventory – spares	2,632,568	2,226,958
Prepaid expenses	1,243,229	1,309,331
Derivative instruments – futures	—	392,240
Total current assets	58,542,681	65,881,280
Noncurrent assets:		
Capital assets:		
Electric generation assets	425,005,434	352,628,784
Land	7,066,719	7,066,719
Less accumulated depreciation	(113,304,830)	(99,384,108)
Property and equipment, net	318,767,323	260,311,395
Construction in progress	3,235,409	62,298,194
Total capital assets, net	322,002,732	322,609,589
Restricted cash, cash equivalents, and investments	20,325,655	45,253,790
Prepaid expenses	592,410	613,279
Future recoverable costs	45,041,037	40,928,273
Total noncurrent assets	387,961,834	409,404,931
Total assets	446,504,515	475,286,211
Deferred Outflows		
Deferred outflows of resources	2,521,079	1,134,529
Total assets and deferred outflows of resources	\$ 449,025,594	476,420,740
Liabilities		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,739,392	17,259,457
Accrued interest payable	3,066,121	3,710,198
Long-term debt due within one year	9,923,333	9,113,333
Capital lease liability due within one year	971,994	917,235
Derivative instruments – futures	884,350	—
Total current liabilities	24,585,190	31,000,223
Long-term debt, net	274,796,749	307,361,707
Capital lease liability	18,021,267	18,993,261
Derivative instruments – futures	200,110	—
Total noncurrent liabilities	293,018,126	326,354,968
Total liabilities	317,603,316	357,355,191
Deferred Inflows		
Deferred inflows of resources:		
Rate stabilization	33,071,000	33,071,000
Other	15,962,649	16,199,020
Total liabilities and deferred inflows of resources	366,636,965	406,625,211
Net Position		
Net position:		
Net investment in capital assets	45,614,924	38,487,165
Restricted for debt service	5,773,252	6,595,034
Unrestricted	31,000,453	24,713,330
Total net position	82,388,629	69,795,529
Total liabilities and deferred inflows of resources and net position	\$ 449,025,594	476,420,740

Minnesota Municipal Power Agency

Statements of Revenues, Expenses,
and Changes in Net Position

	Year ended December 31 2017	Year ended December 31 2016
Operating revenues:		
Power sales to members	\$111,741,811	110,109,926
Power sales to nonmembers	1,343,150	1,175,519
Total operating revenues	113,084,961	111,285,445
Operating expenses:		
Power acquisition expense	36,169,353	37,571,000
Transmission	17,793,317	19,104,903
Other operating expenses	23,967,081	23,843,957
Depreciation	13,920,722	11,937,749
Total operating expenses	91,850,473	92,457,609
Operating income	21,234,488	18,827,836
Nonoperating revenues (expenses):		
Amortization of premium on long-term debt, net	1,130,397	887,638
Interest expense	(14,133,678)	(12,434,525)
Investment income	1,144,659	816,422
Loss on disposition of property	(917,155)	—
Loss on extinguishment of debt	(129,731)	—
Net (decrease) increase in fair value of investments	(63,877)	73,150
Gain on sale of investments	144,273	—
Total nonoperating revenues (expenses), net	(12,825,112)	(10,657,315)
Change in net position before future recoverable costs	8,409,376	8,170,521
Future recoverable costs	4,183,724	3,515,629
Change in net position	12,593,100	11,686,150
Total net position, beginning of year	69,795,529	58,109,379
Total net position, end of year	\$ 82,388,629	69,795,529

Visit www.mmpa.org to view complete audited financial statements and learn more about MMPA.





Minnesota Municipal Power Agency

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